MANAGEMENT DISCUSSION SECTION

Operator: Hello and welcome to the GCI teleconference. This is conference is being recorded for replay purposes at the request of GCI, if should you have any objections you may disconnect at this time.

[Operator Instruction].

Now I'll turn it over to John Lowber, Chief Financial Officer, sir you may begin.

John Lowber, Chief Financial Officer, Senior Vice President, Treasurer, Secretary

Thank you very much. And thank you very much for joining us today. I am John Lowber, the Company's Chief Financial Officer, Ron Duncan, our President and CEO is here with me today, as usual as is Bruce Broquet, our VP of Finance and Fred Walker, our Chief Accounting Officer, and a few other assembled folks. As usual we will all be available to participate in the Q&A session, which will follow my initial comments. If you don't have a copy of our detailed press release, as usual you can find it on our website. The conference call is being recorded, will be available for playback for 72 hours beginning at 12 p.m. Eastern Time today. The play back number is 800-839-2291 with an access code of 7461. In addition to the conference call you may access the conference through the Internet. To access the call via net conferencing log on to our website at www.gci.com and follow the instructions. The webcast will be available for replay for the next 2 weeks.

I will now read our cautionary statement about forward-looking comments and will get underway. Some of the statements made by GCI in this presentation are forward-looking in nature. Actual results may differ from those projected in forward-looking statements due to a number of factors. Additional information concerning such factors can be found in GCI's filings with the Securities and Exchange Commission.

I think I would characterize out third quarter results as surprisingly strong. We established new records for net income, earnings per share and EBITDA. All of our business units generated solid year-over-year increases in revenues and cash flow [ph] and sequential increases in revenues. Our revenues were up 8.44% year-over-year our earnings were up 105% and our earnings per share more than doubled. Our EBITDA increased by $6 million representing growth of almost 20%.

Long distance, long distance revenues were little over 5% compared with the third quarter of prior year and were up approximately 3.8% sequentially. Minutes were down 1.1% compared to the prior quarter that increased almost 6% sequentially. We carried 311 million minutes during the quarter compared to 314 million minutes a year ago and 294 million minutes during the second quarter. The number of customers that made calls during September of this year totaled 90,254 as compared to 86,237 a year ago, and 90,728 during June. The average rate per minute totaled to $9.86 during the third quarter as compared to $10.53 in the prior year quarter and $10.4 during the second quarter. Our average rate per minute is down to 24% compared to the last year and is down 5.1% when compared to the second quarter. The Switched minutes business is still under pressure with decreasing rates per minute and continued substitution of effects. The weakness in switched minute revenues continues to be mitigated at least for now by the strength of the data and satellite broadband business and in addition increase in switched minutes revenues are being accompanied by decreases in related distribution costs. So, on a whole the long distance business continues to experience increases in margin percentage and operating cash flows. Terrestrial and undersea fiber satellite broadband, private-line, and data revenues increased almost 24% year-over-year to $26.9 million during the third quarter an increase 6.8% on sequential basis. These revenues represented a new high of almost 43% of long distance revenues during the quarter.

Our long distance margins improved 357 basis points during the third quarter this compared to the same quarter of last year, 397 basis points on a sequential basis. Our margins were favorably impacted in the amount of approximately $900,000 during the quarter by certain credits received during the quarter in an adjustment to our distribution cost accruals. Our margins are also being enhanced because we don't have to pay access charges on traffic originating and terminating on our own local access facilities. Long distance EBITDA including the effect of MCI recovery increased to $24.4 million for the quarter as compared to 25.5 for the same quarter over the prior year representing an increase of 19%. Long distance EBITDA increased 16% on a sequential basis.

Now we will talk about Cable Television, our Cable and Entertainment operations had a busy third quarter. Our anchorage systems now been converted to fully digital platform bringing up [ph] network capacities to support our current and planned future initiatives. We signed an agreement to acquire the cable system in Prudhoe Bay [ph] Alaska, and have applied for the necessary regulatory approval to complete the transaction. The acquisition is expected to close in the first quarter of next year and is expected to add 950 subscribers at an average cost per subscriber of $1,600. The role of our digital cable servicing known [ph] during the third quarter we now offer digital service to 94% of our homes passed at quarters end. With respect to operations third quarter revenues were up 6.3% over the same quarter of 2003 and were flat on a sequential basis. Based on an equivalent subscriber basis we were up 10.6% to $79.36 compared to $71.77 a year ago and were up 1.4% on a sequential basis. The increases on our revenues were primarily due to increases in cable modem and advertising sales and additional revenues from our digital programming offerings including digital set-top box models. Cable and entertainment operations did not receive full benefit of cable modem revenues because they are shared with the internet business unit. Basic subscribers totaled 134,300 at the end of the third quarter as compared to 135,300 at the end of the same quarter of last year representing a decrease of 1000 subscribers or 0.74% [ph]. We were down approximately 900 subscribers on a sequential basis this year as opposed to the approximately 1,900 that we were down on a sequential basis in the prior year. Most of the downturn this year can be attributed to a reduction in the number of our hotel customers as the tourism season winds down. EBITDA from our cable operations totaled approximately $10.6 million for the third quarter versus $9.7 million for the third quarter of 2003. Third quarter EBITDA was down from the $11.5 million we generated in the second quarter a sequential decrease of 7.8%. Gross profit margins increased 51 basis points year-over-year and dropped 213 basis points sequentially. You'll recall that the prior quarter received a boost from the receipts of certain payments from our couple of companies from which we purchased programming content. And general margins continued to be squeezed by increases in programming cost in spite of our continued sales in higher margin products. At quarter's end we had approximately 42,600 digital subscribers compared to the 34,900 that we had a year ago. We are up 7,700 digital subs year-over-year and 3,800 on a sequential basis. We're continuing to deploy additional combination, high definition, digital video recorder boxes and the anchorage net new [indiscernible] markets. We have 3,100 units and service at quarter's end.

Local services, our local services business had another eventful and productive quarter. Our revenues were up almost 21% year-over-year and another 3% sequentially. At the third quarter's end we were serving approximately 110,400 access lines that we represent, excuse me that we estimate represent a state wide market share of approximately 24%. Our line count is up 7000 over the prior year. On a sequential basis we are actually down 200 lines due to a decrease of 1,800 internet service provider dial-up lines. The dial-up customer numbers continue to shrink in favor of broadband access services. We expect to see decrease demand for dial-up capacity from our ISB customers, including ourselves. We made great strides during the quarter in deploying our digital local phone service and we currently have more than 5000 lines in service. We now expect to have approximately 7000 to 8000 units in services at year-end, as supposed to our earlier target of 8,000 to 12,000, and we still expect to turn-up an additional 25,000 or so additional line in 2005. We are very pleased with our initial experience with this new technology and we look forward to a potential deployment throughout our market. The EBITDA loss from local services declined to approximately 750,000 for the current quarter as compared to a loss of approximately 863,000 in the same quarter of the prior year and decline from $150,000 positive contribution in the prior quarter. These results don't reflect the access cost avoidance enjoyed by the long distance business resulting from our entry into the local business. Access cost savings totaled approximately 1.92 million in the current quarter versus 1.8 million in the prior year quarter and 1.58 million in the prior quarter. The current quarter's local services results were affected by the increase in the UNE rates and anchorage that became effective in late June of this year. We estimate that our loop rental cost increased approximately $700,000 through the quarter.

Our access line mix have changed slightly with residential lines now representing about 61% of our lines, business customers is about 35% and internet access customers representing about 4%. About 85% of our lines are provided on our own facilities that are using leased local loops and just over 6% of our lines are provided using UNE platform. Last year we announced that we are launching a partnership with ALLTEL Publishing a competitive yellow pages directory for the Anchorage market. Anchorage directory was published and distributed almost a year ago. Based on this success for our Anchorage directory we decided to offer directories in Fairbanks in Juneau markets and during the quarter we published and distributed our inaugural versions in both markets.

Internet access services, the internet business continues to perform well. Revenues for the third quarter totaled 6.7 million as compared to 4.9 million in the same quarter of the prior year representing an increase of almost of 37%. Revenues were up almost 3.1% on a sequential basis. Quarterly internet EBITDA tops $2.4 million almost double the amount generated in the year ago quarter, and up slightly on a sequential basis. We deployed another 4,400 cable modems during the quarter and we now have approximately 61,200 units in service. We are up 18,400 units over the 42,800 units that we had in service a year ago. Our bundled offerings that include broadband internet access service had been particularly effective in attracting new customers and creating opportunities for us to demonstrate the capabilities of our cable modem products. Almost all of our cable modem, excuse me, almost all of our cable homes passed are able to subscribe to our cable modem service. We are also continuing our wireless internet initiative and expected to complete this year's expansion of our broadband internet access services on schedule. We will have provided service to additional 55 rural communities this year in addition to the 73 locations that we built out last year. With the addition of these communities, we are now able to provide broadband internet access to more than 95% of the households in Alaska.

At quarters end we were serving approximately 101,100 internet access accounts including approximately 39,900 dial-up accounts and 61,200 cable modem accounts. This represents an increase from the approximately 93,950 customers we were serving at the end of the same quarter of the prior year, which included approximately 51,100 dial-up accounts and 42,800 cable modems. Our dial-up base is expected to continue to shrink as we continue our efforts to up sale our dial-up customers to our cable modem products. Our average revenue per cable modem was $33.51 at the end of the current quarter, as compared to $39.64 at the end of the prior year quarter and $36.84 at the end of the prior quarter. As I mentioned last quarter this out come was expected as a result of our aggressive marketing of entry level modem service and a related effects of tired pricing. This trend is expected to continue in the near term until our customers experience the benefits of increased modem speeds. Alaska United, I mentioned last quarter that our new Alaska United and West Fiber System had recently been completed that our eastern system had just been repaired and the two systems had been configured into a sonnet ring allowing us to become the only carrier in the market with physically diverse sonnet facilities. Turn up of the new system has allowed us to reduce our back-up capacity requirements and led to the lease of additional capacity to a large customer. The current quarter includes approximately $400,000 in cost incurred to repair the eastern system.

Other items of interest, stock repurchase program, the stock repurchase program we discussed last quarter has gotten off to a slow start. By the time our trading window opened up the stock price had moved up a bit and when we laid in the weeds hoping eventually to buy stock at bargaining prices. And we ended up watching stock price move up and finally decided that we are going to buy and we would have to up the add [ph] a bit. We ended up making the first purchase at the end of September and by the time the trading window closed we've purchased 170,600 shares at an average price of $9.18 per share. Of the initial $10 million authorized for the repurchase program we now have about $8.43 million remaining. We expect to be back in the market at the next opportunity depending on the trading price of the stock.

Satellite proportion system update, a year or so ago we discussed the failure of the primary proportion system on the satellite on which our transponders are allocated and the potential failure of the secondary system. During the quarter the secondary proportion system failed which means that the satellite must now be controlled using bi-propellent clusters. Appeal for these clusters is expected to be depleted in early 2008 at which time the satellite will be removed from tireless [ph]. We purchased a warranty with our transponder so we expect that we will eventually receive access to replacement transponders on a new satellite. We don't expect to suffer any material or financial losses as a result of the premature failure of the satellite.

MCI credit, during the third quarter we used approximately $1.1 million of our remaining credit with MCI, the use of the credit is reported as the reduction of bad debt expense during the prior year quarterly we recorded approximately $647,000 of the credit and on year-to-date basis we have recorded approximately $3.4 million. At September 30 there remained an outstanding balance of approximately $4.5 million which we except to be depleted over the next 4 or 5 quarters. USAC status, there has been a lot of press recently about the USAC's funding lack their owe [ph] to their schools, libraries and healthcare facilities. A lot of our revenues are received from entities that depend on this funding. The delay in funding commitments since July 1 is due to a required change in accounting methodology at USAC which is limited ability to make funding commitments in timely manner. We are continuing to provide service to our customers and are hopeful that USAC will get this matter resolved. At presently we are expecting to be paid in full for our services and not felt that necessary to write-off or reserve any receivables as a result of this issue. We will continue to monitor the situation closely.

Wireless status, all in execution of our agreement with Dobson, we have assembled a wireless product team fine tuning our strategy, training our employees, acquired product and we are currently in a soft launch mode. Our full commercial launch will come in the near feature.

Guidance and economic prospects, last quarter I indicated that our expected revenues to total a $103 million to $105 million in cash flow including MCI credits to exceed $32 million. Due to the unexpectedly strong performance of our business units we manage to generate more than a $106 million in revenues and $36.7 million in cash flow. This was accomplished in spite of a write-off during the quarter of certain cost associated with our aborted efforts to build out our own wireless systems and ever increasing cost associated with our efforts to comply with the requirements of Sarbanes-Oxley Section 404 dealing with the audit of our internal controls.

We now expect that we will exceed the upper range of our prior guidances for both revenue and adjusted EBITDA for the year. The upper range for revenues was $420 million and for EBITDA was $139 million including the MCI credit. Our fourth quarter is normally seasonally weak, is the busy summer our season volumes down and things quiet down as winter approaches. This year this it's exacerbated by the cost associated with Sarbanes-Oxley compliance and probably a doubling of our auditing cost. At present we are not sure where we'll end up with respect to our internal controls audit option. So, you will see qualifying language to effect in our 10-Q which we expected to file next week. Section 404 compliance is truly a burden for the companies such as ours which was built on the tents [ph] of trust and empowerment of our employees. These concepts are incompatible with the internal control requirements of Sarbanes-Oxley Section 404.

Liquidity and capital expenditures, there's been a little change in our favorable liquidity situation, our senior financing consists of $50 million revolver and $121.2 million of outstanding Term Loan B. We have $35.3 million available to draw under the revolver our senior loan principal payments have been prepaid due approximately at the end of 2005. We have approximately $6million in principal payments due under our capital leases over the next year. In order to gain the flexibility requires, we require to execute our involving business plan. We'll expect we will likely amend our replace or perhaps do both to our senior facility in the not to distant feature. We invested $14.9 million in capital expenditure during the first quarter $17.6 million in the second, and $18.2 million in the third all excluding the new undersea fiber. The year-to-date total is approximately $50.8 million for the core business. We have invested in the addition of $32 million in the new undersea fiber this year, most of which was recorded in the first two quarters. We made investments during the quarter in the following areas, LD $8.2 million, cable and entertainment $5.2 million, local services primarily DLPS related $6.2 million, Internet access services $1.2 million, and administrative support $2.8 million. Our capital expenditure requirements beyond approximately $25 million of maintenance capital are largely success-driven and they are affected by the opportunities we develop in the marketplace. During last quarter's call, I indicated that we expected our adjusted core capital expenditure requirements for 2004 to total approximately $65 million, excluding the new undersea fiber. It now appears that we may slightly exceed that number.

To recap our cash sources and uses for the quarter on a simplified basis, we generated approximately $36.7 million in EBITDA. Out of that, we spent $18.2 million in core capital expenditures, and reported $6.7 million in interest expense, leaving approximately $11.8 million available for other items. On a year-to-date basis, we generated $106.8 million on adjusted EBITDA, spent $82.8 million on CapEx, including the fiber and $20.3 million in interest expense, leaving $3.7 million available for other items. Approximately $247 million of our $418.3 million in debt is fixed rate debt, with the remaining $171.4 million, floating. Our cash interest expense at current rates is now running at approximately $27 million per year. If you compare that to the last two quarters' annualized cash flow of approximately $143.2 million, you would see that our cash interest coverage is approximately 5.3 times leveraged on net debt at quarter's end would be about 2.86 times, cash flow and on gross debt to $418.3 million or leverages about 2.92 times cash flow.

And in conclusion, we are very pleased with the quarterly and year-to-date results. We are positioned handily set new annual records for revenues, net income, earnings per share and EBITDA. The Alaska economy is in great shape and the recent elections inspire increased optimism with the state's long term economic prospects. We will now be happy to answer your questions.

QUESTION AND ANSWER SECTION

(Operator Instructions)

Operator: I'm showing your first question comes from Anthony Klarman with Deutsche Bank.

<Q – Anthony Klarman>: Thank you and hi everybody. I have a couple of questions on the cost side of the equation. If you look at the segment breakout that you guys provided in the back of the press release you show on the LD side revenues on a year-over-year basis, look like they are up about maybe $3 million and their costs were down over $1 million, we will say about a $1.3 million, and I was wondering what was driving that on a sequential basis, the entire year cost in the LD business have been coming down and I'm just wondering if that's the function of switched MOUs and what else was driving that, then subsequently on the local side of if I look at the local business, the increasing cost this quarter, is that mostly a function of the DLPS conversion, and if so are you capitalizing any of the cost associated with that, or they all running through the P&L?

<A – John Lowber>: We'll take your first one first, Anthony I guess and the answer really gets to I think in large part of the 900,000 and kind of one off credits that I mentioned in my narrative. We had some refund relief from some earlier overcharges of some of our excess cost. It were recorded in the quarter, and then we crewed up our excess cost accrual during the quarter of which benefited our cost equation by half of that 900,000. So, those two items, I think accounted for the really the improvement in most of the margin improvement during the quarter.

<Q – Anthony Klarman>: And...

<A – John Lowber>: I'll help you on that piece.

<Q – Anthony Klarman>: Yeah, let us.

<A – John Lowber>: Lets move on to local then. The biggest effect in local, I think was the UNE rates going up effective, I think late June, we calculate the effect of that cost increase to be roughly $700,000 for the quarter. In terms of the UN or the DLPS effects, I don't think there was a significant change in the third quarter from the second quarter, so there shouldn't have been much change on a sequential basis for DLPS. In terms of the capitalizing, we capitalized the cost of the installation of this specific hardware, although we don't do anything in terms of provisioning and that sort of things, it's just a direct cost of putting the hardware in place.

<Q – Anthony Klarman>: And, you gave a little bit of clarity around the USAC issue I was wondering if you could, sort of quantify what type of receivable we're talking about here, and I guess at what point would you take the step of moving towards hedging that receivable, and perhaps taking some reserve against the portion of the receivables outstanding from customers relying on the USAC funding?

<A – John Lowber>: In terms of USAC funding, I guess at September 30th we had about $5.9 million in bills receivables, and we had funding commitments to our, about 500,000 of that leaving about $5.4 million which you might call exposure. We are going to keep an eye on that Anthony but the issue with the USAC is not the lack of funds its their failure to meet the current accounting requirements which changes really from an accrual basis obligation to having to have the cash basically available there to be a use to make the payments. So, with the current assessments and so on there should be plenty of cash available. We're hoping to see some movement on that sometime this month. We're just going to keep an eye on it, and it looks like that we at some point if it looks like there is some exposure that we won't get paid. At that point we'll reserve some or all or do what ever we have to do but right now we think that's an unlikely outcome.

<Q – Anthony Klarman>: And finally one last balance sheet question, I was wondering if it, if in addition to the stock that you had purchased back or redeemed any of these subordinated Series B and Series C Preferred Stock?

<A – John Lowber>: No, lets see the Series B has, if you look at the history of that you will see that that's been converted I think this year in a couple of chunks, the owners of the Series B have been taking advantage of the Rule 144 exemption, which allows them to convert and sell I think roughly, I think the numbers around 560,000, 570,000 shares in any given 90 day period. So they've been doing a little bit of that overtime. The Series C Stock is redeemable actually it's a callable if the option of the owners of that stock which is MCI, I think is early as July 1 of next year. So, that is something we're going to have to deal with in the near term and as part of my comments about tweaking or amending or replacing the bank facility because we've got to come up with 10 million to retire that obligation in some [indiscernible] as of July 1. Unless of course if the stock price runs up past the conversion price at $12 at which point maybe you could by threatening to redeem force a conversion or something at that point in time, but that's stacked [ph] at this point.

<Q – Anthony Klarman>: Okay great thank you much.

<A – John Lowber>: You bet.

Operator: Our next question comes from Richard Klugman with Jefferies & Company.

<Q – Richard Klugman>: Thanks a lot. Could you comment on DPLS, your expectations now for 2004 at the low end of what you would originally talked about, I remember Ron you talked last quarter about bottlenecks. How are those being worked out at this point and when do you expect to push this into Fairbanks in Juneau? Thanks.

<A>: You are slipping Rick you are the second question this time, still the first.

<Q – Richard Klugman>: I am slow on the trigger what can I say.

<A – Ronald Duncan>: I think at this point I'd have to say that principle bottlenecks to DPLS deployments are labor in the field and our reluctance to disrupt the cable signal outside of some fairly narrow windows during the day. And we've spent a lot of time over the last couple of months coming to grips with how fast we can turn up nodes. The issue really isn't getting the boxes installed on the sides of houses as much as it is getting the nodes ready for the conversation and that's a part that's service disrupting it also takes a number of skilled personnel. We don't have all we would like in that area right now for the field conversations. We have been figuring out how to balance those problems its going to cost us to miss slightly the goals fort this year. While maintaining the goals for next year we think we will work those things out. With the recent change in the Anchorage arbitration agreement the unit rate increase brings Anchorage job to the level of Fairbanks in Juneau UNE rates. So as result of that we have concluded that it is probably more efficient to keep the bulk of the DLPS focus in anchorage next year originally we would anticipated moving the Fairbanks in Juneau to achieve the higher return per line that was available in those markets, but the Commission order raising the rate eliminated the rate differential there. There are probably are some economies to scale and some economies to learning to keeping the bulk of the focus in anchorage. So, I said most of those 25,000 lines are come out of anchorage next year and I would like to facilities deployment in Fairbanks in Juneau in subsequent years. I haven't given up on the opportunities to turn up about 25,000 as an annual phase, but let's take it a year at time on this we are still learning the returns are quite dramatic as we turn it up, by very early next year we should have converted enough lines to have earned back the entirety of the impact of the UNE rate increase that was imposed on us in June. So, that's good news but we are still figuring out how to make that program as fast as possible.

<Q – Richard Klugman>: Fairbanks in Juneau are '06 rollout essentially?

<A – Ronald Duncan>: I would say '06 before you see significant commercial deployment yes.

<Q – Richard Klugman>: Okay what are you seeing in the way of satellite competition is that easing you had the decline again this quarter in cable subs but attributed it with seasonality?

<A – Ronald Duncan>: Yeah, almost the entirety of the cable subs effect, the entirety of the cable sub declined plus on this quarter came from the ordinary seasonal turn down to both units so if you look that just the consumer unless as you would have seen an increase on a sequential basis for the quarter. Satellite is still adding subs there is no question about that I think its clear at this point that their growth is coming out of the unserved market essentially they are expanding the overall size of the multi channel video market. They are not taking their growth at our expense any longer, a dramatic change since last year this time when we were at the front-end of losing several thousand of our subscribers to the satellite guy. I think our packaging is just mostly preempted any interest that our customers have in moving the values available in the ultimate package its derivatives are so compelling. You just can't find anything else in the market but even comes close to providing your services, all of your services in bundle for the same price. The success of our free cable modem were if you buy your video, your voice and your data from or video and your voice from GCI we will give you a low speed data, through the cable modem for free. Those products have really been very successful in reducing churn and stemming any erosion to satellite, satellite continues to be factor up here. I'd say they are, wholly not as aggressive as that they were a year ago this time but definitely they are in the marketplace, and you see dishes growing around the community. But I think probably what you'll see if you could get accurate reporting data is that the total size of the multi-channel market has gone up through 3 or 4 percentage points and that probably accounts for whatever growth satellite has.

<Q – Richard Klugman>: And just a couple of more quick questions if I could, company of it's I'll get back in queue, if that need be. The wireless you said its kind to be soft rollout, when is the, the hard rollout, when do we start seeing some kind of meaningful subscribers coming out of that?

<A – Ronald Duncan>: Probably not till sometime next year, I don't want to queue our competitors too much on that. But we are going slow because of a very high sensitivity did not overwhelming our ability to respond in the customer service front. We want to be sure that we maintain our customer service standards and our response times and we don't want a surge of transitions creating additional delays at the customer service front. So that's the reason for the slow, the slow rollout, but be next year sometime before you'll see material activity I think.

<Q – Richard Klugman>: Okay and the healthy margins I think John you talked about that you also mentioned if I recall a fiber sale being made in the quarter did that have any impact?

<A – Ronald Duncan>: It wasn't a sale, there was some additional leased capacity and I think the net take away from the LD business is the growth in data and dedicated capacity leases continues to offset the decline in minutes of use and average revenue per minute on the both side.

<Q – Richard Klugman>: And that is higher margins associated with so that should have a favorable impact to margins I would imagine going forward right?

<A – Ronald Duncan>: That's probably a true statement.

<Q – Richard Klugman>: Okay last question the share buyback, John in your remarks you talked about how it was a little less than you initially planned the stock had gone up throughout the quarter the plan was kind of opportunistic. But I recall I almost feel like these is two things going on here. On one hand, there was a plan on giving, I'm focusing on kind of passing $5 million back to shareholders, and using it as an opportunity to more properly lever up the company. On the other hand, I am hearing opportunistic share buybacks. What's, how should we think going forward, where are you going approach it, price sensitivity on the stock that's acute at this point?

<A – John Lowber>: No, I don't want to get too exquisite on my strategy, because I'm, you're don't using the company's funds just like I would my own, and that is trying to get the best deal I can and buying the stock back. The problem was, I was thinking maybe, I might settle back, and I might be able to actually buy some fairly cheaply, but that strategy didn't work, and then I decided, well, what happens if I come to this call, and I haven't bought any stock back, you guys are going to all over me. So I said well, maybe I'd better leap in and at least nibble away a little bit of this, and it's been a little bit more than I had hoped to having said that, I still think the stock price is cheap, when we have the next green-like period. The stock is where it is today, I'm going be in there nibbling away and waiting for opportunities to pounce. So that's what I meant on it Rick. It is kind of a dual type approach. But it's just, if I wanted to go out and spend the money along one bell soup, I can do that, but that's not how I am planning on doing it.

<Q – Richard Klugman>: Well, I'm sorry for meeting you expectations of giving you a hard time of that.

<A – Ronald Duncan>: I think you should measure us over 3 or 4 quarter results on our efforts to get the cash back to the shareholders, Rick. I think the objective was some in the range of $5 million a quarter, and this came [indiscernible], but when we didn't spend one quarter, we need to get cut up on at some point, but Mr. Lowber didn't want to give you the opportunity to criticize him for having overpaid for the stock, if it had indeed gone down. So he was being cautious, but I think he may be a tad more aggressive going forward.

<Q – Richard Klugman>: Great, thanks a lot; sorry to take up all the time.

<A>: No problem Rick.

Operator: Our next question comes from Rick Black with Blaylock and Partners.

<Q – Rick Black>: Hi guys great quarter. Unfortunately, all of the questions have been asked on a qualitative basis, so let me try to do something else here. In terms of your traffic flows that are heading through your network, are you seeing any movement away from MCI, and those things being same moved over to Sprint or being traffic flows moving over into maybe AT&T still coming onto your network?

<A>: We don't really talk about specific flows among carriers. We are seeing continued high levels of volatility among carriers. And I think we first altered you folks to that, probably 3 quarters ago that the evolving nature of the market down below was leading customers to bounce around, as more of the traffic comes off of AT&T, MCI or Sprint on retail networks and transitions to RBOCs or to VoIP providers or others, that traffic then it has to be more volatile in how it moves around among networks. We've seen it there. We've seen it on debit card providers and those sorts of things. So yeah, we are seeing more volatility. Is there a trend? Not really, it's up one quarter, it's down the next quarter. And we are, thus it no longer surprises me to see a $2 million in variance in carrier traffic from quarter-to-quarter. But I can't point to a trend that it's consistently down and consistently up. It's consistently all over the place.

<Q – Rick Black>: Okay. Second question and just in terms of just looking at the elections just came about, is there any more conversation or anymore statements among the people on the political side in terms of drilling in the Arctic National Refuge? And if so, is there anything that's just sort of like increase the ability of people to try to go and revisit that situation, so you guys going to impact on that?

<A>: I think the Republicans came up 5 votes shy in the Senate of what they needed to get, drilling in that ANWR and still they break cloture, I doubt that we are going to see rapid progress on ANWR. I certainly don't want to underestimate the skill and ability of our congressional delegation to move us in that direction. I still think ANWR is a longer term issue for the state. I would tell you that most of us up here are feeling very excited and very bullish about gas pipeline. I think the elections, combined with the current energy prices and the geopolitical instability, I've ben saying for year about the gas line was going to be build, I think the stuff we've seen in the last 6 weeks is very, very positive in that regard. The state has made an offer to the producers that state is seriously considering as investments, state funds in the gas line, we did get a bill through Congress that solved most of the permitting problems and addressed many of the write-away issues. I think that there is high probability of that. And in terms of impact on the consumer economy up here and on our business, the gas line is much much bigger than drilling in ANWR. ANWR is very important to the states' treasury in the long run because it would provide more oil resources through the same pipeline. But in terms of impact on the domestic economy in Alaska, the gas lines are much bigger issue.

<Q – Rick Black>: Okay and then last, from time to time, you guys have given some updates on the missile defense build out, in the telecom revenues had been associated with the build down, how it's going to impact you guys. If you can just give us an update, I would appreciate it, thanks.

<A>: That continues about on target I'd suspect. There was some nervousness that a change in administration could slow that down obviously. That's not going to happen. They are continuing to install facilities up with the missile base and turn up systems. And as far as I can see, they appear to be approximately on target. And I think that means over the next several years, we should see more revenues coming out of that.

<Q – Rick Black>: Okay, thank you.

<A>: Thanks Rick, good to hear from you.

Operator: Our next question comes from Carl Buska [ph] with [indiscernible].

<Q – Carl Buska [ph]>: Ron, I wonder if you could expand a little bit on your comments about the natural gas pipeline. Do you have any sense of when the whole process might translate into the actual beginnings of construction, and how long it would take for this thing to get built, and then kind of in conjunction with that, could you give us some thoughts on how GCI would be likely to benefit if this pipeline goes forward as you expect?

<A>: Sure. Let me caveat that by telling you there are people much more expert in the whole process than this to me, but I think we would be doing well to see a commitment to construction of the line within the next 18 months. So I think we are at the point where we are pressing hard on the producers to make a commitment and we will be ready soon to see whatever consortia it is that's going to be merged line up financing. And I am unhopeful that we would be looking at a firm go-ahead for the project, in other words a committed projects sometime in the next 18 months. There is a lot of money to be spent between now and commitment. We have probably seen a $200 million spent here in the last year or two, just on pure preparatory work. And I think the pace is that is it have to accelerate. Once the line is committed, you are probably at the start of a 7- to 8-year construction process that by the estimates we were looking at two years ago, kind of peaks between years three and six when the bulk of the physical work is going on and then tails down over a subsequent couple of years. I think it's a very material boost in the employment base in Alaska and it's also a boost in the average income levels because the nature of the work is such a) that will be skilled work b) that will be from people who don't exist in the state today, so there will be a net growth in the employment base and there will be a premium paid to import people to the state. While the magnitude of the boom in terms of percentage of the economy won't look anything like the mid 70s, the oil pipeline boom did when the oil pipeline probably accounted for 40% of the states' consumer economy, it will still be a large influx of high value dollars which would the multiplier effect will reverberate through the state. The only place for those people to live and spend money is essentially in areas of this state that are already developed. GCI basically has its consumer facilities in all those occasions. We would expect to see strong growth in the consumer business, as a result, both in the growth of the number of homes and a substantial increase in disposable consumer income in the state, and to a lesser degree, but equally important, would be commercial opportunities to serve both the resource companies themselves and all the support industries that will come in. And this pipeline will be very high tech. And it's going to have a large data and telecom component, both in the operation and the construction. It's going to be done very differently than the first time which is good for all of us in the state who were selling data bandwidth and telecom expertise. Does that give you what you wanted me call?

<Q – Carl Buska [ph]>: Well, one additional bit of information that if, at all moves forward, as you just described, is GCI going to have to put a lot of money on the table in order to derive the benefits that you described, or can you kind of write on the back of the boom and just enjoy the benefits without having to put up a lot of money?

<A>: If we were to set aside any potential investment in a fiber to serve the gas line itself for a moment, the bulk of what's necessary to serve the support industry's and the consumer's is to pure leverage up the facilities that are in place today. So, it will all be success-based CapEx. We are not building new lines or installing new capacity your provisioning new circuits and new cords. So, that's all sort of the filling kind of stuff that is very, very attractive because it enhances to return to existing CapEx. A project to construct the fiber to serve the gas line itself would be a capital intensive undertaking and it would have to find its returns and comment that revenue commitments from the pipeline company, as you know, we own and operate the fiber to service the gas line that gives us I believe, a competitive advantage or just sort of to service the oil line, that gives us a competitive advantage I believe in our position to make a proposal to those that would build the gas line. And we'd look for whatever contraction arrangement there to pay its own way as the oil line does for us and the facilities we've deployed there today.

<Q – Carl Buska [ph]>: Would you characterize the Natural Gas pipeline opportunity as having blockbuster potential for GCI?

<A>: Well, I am not sure I know what blockbuster potential is, particularly given the blockbuster, the videos source seems to be imploding right now. We, at Alaska, in general, view this as the next big boom, must, we really promise not to piss away at least for a couple of years. Alaskans are really excited about this. We see this as a very significant impact to the Alaska economy. And it has to provide very nice additional upside to GCI. Is it going to double the size of the company, no, is it going to do a lot for our incremental return, yes.

<Q – Carl Buska [ph]>: Okay, three other quick questions, if MCI, were to be purchased by another Telecom company, would that have any adverse consequences for GCI?

<A>: Hard to say the traffic at MCI has coming to and from Alaska, has to get to and from Alaska. Much of that traffic, particularly on the data side, is traffic that really has no other network to ride. So, I'm really comfortable about that. If AT&T were to purchase MCI that would probably be bad in the short-term because the voice traffic, even though it's declining in volume and margin, would likely shift quickly to the AT&T network; but AT&T would have to come back and buy more capacity from us. That is going to be the worst case because that would upfront involve the transition to carriage on a competitive network. If anybody else were to purchase MCI, I don't see any near term significant changes resulting from that because we really have a network footprint serving the state that differentiates us from everybody else. If you want protected service in and out of the state for any volume or traffic, if you want SONET ring data services for your large type value customers, we are the only place to go right now. So, we don't lose a lot of sleep over who is or isn't going to buy MCI or whether they are going to get bought, I'd probably have more concern over the mid general health of the telecom business in Lower 48 and the fact that it's a challenged business and not adequately investing and are pursuing new opportunities that could drive new traffic because everybody is struggling to stay alive.

<Q – Carl Buska [ph]>: Thank you. My last question very simply is now that Alaska Communications has shown the way by declaring a substantial dividend, when can we expect GCI to do the same?

<A>: I don't know, we didn't do much for their stock price [indiscernible].

<Q – Carl Buska [ph]>: I am thinking more in terms of what the dividend would do for all of us who had been long term holders of the company. A generous reward in the form of how tax protected dividends would be very nice.

<A – Ronald Duncan>: I have heard you on that before and I continue to hear you and we have stated our commitment to start returning cash to shareholders. Initially, it was stock buybacks and ultimately going to look at other opportunities to do that and we will continue to do so and next time I see you, I would be delighted to talk about, why I didn't move this stock price more and why there is such a high yield on that with their current dividend.

<Q – Carl Buska [ph]>: Yeah, I actually had a chance to talk with Bruce the other day about it and I think I understand that part of it quite well. Well, thank you Ron, good job.

<A – Ronald Duncan>: Thanks Carl.

Operator: Our next question comes from Ethan Bellamy with Stifel Nicolaus.

<Q – Ethan Bellamy>: Hi guys, most of my question have been answered but one item on wireless, do you expect to integrate your sales and marketing cost into existing advertising, would you expect a big push n the quarter on which you do your hard launch and are you expecting to win a lot of market share, what sort of, how do you bid that feel about it, a sort of spitting into the other parts to bundle?

<A – Ronald Duncan>: Before I answer that, I am going to have to ask the operator disconnect about half dozen of our competitor's lines who are listening in right now. No, I don't expect any substantial change in total advertising expenditure, and I can tell you that we probably won't make a single consorted upfront push, because we are not going to risk clogging our customer service functionality, I'd rather not comment on what I expect for the total size of the campaign or how many customers or sort of thing until we shown on our hand in the marketplace.

<Q – Ethan Bellamy>: Thanks Ron.

<A – Ronald Duncan>: Sure Ethan.

Operator: Our next question comes from Todd Rosenbluth with Standard & Poor's.

<Q – Todd Rosenbluth>: Hi, most of my questions have also been taken, but with the AT&T and MCI both or most particularly the MCI pulling out a little bit in a consumer long distance space, have you seen the effect, do you expect to see an effect on traffic as we head to coming quarters.

<A – Ronald Duncan>: Let go back to the answer I gave to Carl on the sale of MCI. The traffic is got to get to a Alaska somehow, what's happening I think is the different carriers are ending up with the long distance traffic with the consumer long distance traffic, is not the consumers are not making calls to Alaska anymore. The shift as MCI pulls out and as it's traffic gets picked up by fellow operating companies or by IP providers or by wireless carriers, results in the shift of the traffic from retailed wholesale, the traffic still have to come to Alaska, on either our network or AT&T's network. I think that's what accounts for the volatility, because when Bellsouth loses traffic from MCI, the Sprint you see a big change in minutes, so we are seeing more volatility in the consumer traffic, I don't think the absolute amount of consumer traffic is going down and we haven't seen anything yet to suggest that our share of the traffic is on any sort of consistent trend, other then it's lot hard to predict the business, because we can easily a plus or minus $3 million hit in the quarter just as a result of traffic moving from network to network.

<Q – Todd Rosenbluth>: Okay so you're getting it, talk about how that's affecting fourth quarter traffic as far as probably to soon to talk about?

<A – Ronald Duncan>: You really can't tell how it affects the traffic till the end of the quarter. Because one month can be down and the next month can be up dramatically, I mean, what we used to see was very steady, very consistent patterns of minutes across the network and we track this stuff exceedingly closely its stuff varied by 50,000 minutes in a day will be all over and trying to figure out what happens and we are going a little bit nuts that's right now because we're seeing large volatility big chunk of traffic will go away for a week and then come back it will show up on somebody else's network and just not possible to tell you what that piece of the quarters is going to look like until the quarter is over.

<Q – Todd Rosenbluth>: Okay, thank you.

Operator: Our next question comes from Todd Morgan with CIBC World Markets.

<Q – Todd Morgan>: Thank you, I wanted to ask you a question about another topic. I don't think you talked really much about your yellow pages efforts and I wanted just ask you if you could comment kind of on the market opportunity there or the additional markets so their bundle sales opportunities, the long-term growth potential, is like that?

<A>: We are kind of keeping pretty close lid on what we're doing on the directory side, we just started business more recent. We're happy with the way its going and I think once we get further down road, we'll be happy to provide more info. But we put a little bit of more color in the 10-Q, you can look into that and pick up some numbers out of Q but we don't want to get any too much depth on that.

<A – Ronald Duncan>: Total markets size, it's the $40 million to $50 million a year gross revenue market in prior to our entry, our competitor was getting 50% plus EBITDA margins out of it. So, we're happy with our initial entry were EBITDA positive on it. And I think we refrain from talking about the magnitude to success until we demonstrate few a more things in the marketplace.

<Q – Todd Morgan>: Fair enough I guess is the long run plan, is much short of share gain or really just expanding the advertising efforts there, the advertising dollars in market size?

<A – Ronald Duncan>: We don't enter markets that we don't expect to take a substantial portion of, we like being the largest player in the markets that we are in because it's a more efficient position to have.

<Q – Todd Morgan>: Okay, good, thank you.

Operator: Our next question comes from James Lee from Decisions.

<Q – James Lee>: Hi guys, can you talk about, can you give us an update on your Triple-plate bundle, I think in the last quarter you talked about having a Triple-plate bundle for 79.99, just wanted to sense what kind of success been getting during the quarter? Thanks.

<A – Ronald Duncan>: Sure, James very, very happy with that bundle. It's drawn an awful lot of consumer interest. I don't think we've released the number of customers on it we probably won't for a while, but it's a substantial number of customers who have converted and continued to convert and as we've said at a number of our presentations very strong up sales from the bundle. The bundle is a such a compelling value that consumers end up saying [indiscernible] I'm going to do that, I got some money leftover, and I'd like to buy some more of the same products. And we've said we're seeing $20 to $50 average up sales from the bundle. The bundle include, for $79 you can get, your data, your voice and 130 channels of digital video, then you can add higher speed data additional voice features a minute to the bundle, and additional premium television product in the form of additional pay channels or premium channels. And we're seeing very high average up sales from it and very strong consumer interest. But its just not been in the market, it comes first, so you can't touch it, you can't you go out and buy any other combination of local service data voice, and video and spend less than 100 bucks or not. So it's a compelling value, it's been a huge success for us. And I think a big piece of why we really turn the, turned the game around on the dish folks and eliminated what was across from them on the lower price portion of the market.

<Q – James Lee>: Great, now in terms of the wireless, where should we think of pricing when you at that service to the mix?

<A – Ronald Duncan>: As you guys, just asked me to put my business plan on the table in front of all of my competitors here. We will be competitive on the pricing on the wireless just like we are competitive on everything else. And you should probably anticipate seeing the most competitive wireless offerings as part of the bundle. And then I think that's probably about as far as we want to go until we actually put things into the marketplace.

<Q – James Lee>: Okay, that makes sense. My last questions for your local business, and do you expect EBITDA to remain a negative territory for fourth quarter or do you expect the rebound as you add more the digital customers on to your network?

<A – Ronald Duncan>: I don't want to forecast exactly EBITDA for local. We do think there is a better [ph] wave that's generated by the conversion to digital local phone service. And sometime next year the speed of shift should pass the better [ph] wave, but as we're in the early stages of adding those customers some of the expense, some of the front-end expense that you have to incur to get set up to do that has had an impact on local and you will see some of that. But as John said the principle effect on local in last quarter was the rate increase from the anchorage arbitration and I think sometime early next year we have enough digital local loop customers online to offset the impact of that. So you should see an acceleration in local EBITDA next year. I just don't want to call which quarter it's going to be in.

<Q – James Lee>: Okay, thanks a lot.

<A – Ronald Duncan>: Sure.

Operator: Next we have a follow-up question from Anthony Klarman with Deutsche Bank.

<Q – Anthony Klarman>: Thanks, just a quick follow-up question. I was wondering if you've seen any competitive response from ACS on the local side with respect to targeted win-back programs, now that you've started converting some lines in Anchorage in particular over the DLPS and you been rather public about your intentions to convert., 25,000 next year and maybe have 8000 by the end of this year. So, it's some point over 30,000 lines off on to your own DLPS network, as that spurred any competitive response you have from ACS in the market?

<A – Ronald Duncan>: I don't think we've seen anything targeted at the digital local phone customers and I have heard the strategy but it doesn't really make any sense to me, I mean if you could win the customer back, why would you wait still we could convert them, still we converted them over to digital local phone if you could win the customer back why wouldn't you just go and win the customer back. If anything when they convert to the DLPS, they are getting a superior quality service it converts from an analog loop to a digital loop. It gives us the chance to monitor the integrity of that service right through the side of the customer's home so more often or not on our DLPS lines, we are seeing when the phone in the house goes up before the customer knows about it and we have the opportunity to fix it and repair the service before we would otherwise even know about it. In the ACS version of copper wire telephony the customers, the error detection mechanism which requires them to pick up the phone and they tell you the services isn't working. DLPS we get much better network monitoring, so you get a superior quality service, I don't see how that's a win-back opportunity. I heard this strategy it all will be a win back, I thought if they are converted to DLPS customers, well they could win back and turn to the local customers come get us in the marketplace guys, but we haven't seen that.

<Q – Anthony Klarman>: Okay, thank you.

Operator: At this time, and I'm not showing no further questions, I would like to turn it back over the speaker's for any remarks they may have.

Company Representative

My closing remarks are farewell and we will talk to you after the end of the year and thanks for participating.

Operator: This concludes teleconference. Thanks for attending. Have a great day.